

Message Text

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51

ACTION EB-11

INFO OCT-01 ARA-11 EA-11 ADP-00 TRSE-00 INT-08 AID-20

OPIC-12 XMB-07 CIAE-00 INR-10 NSAE-00 RSC-01 RSR-01

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FM AMEMBASSY TEGUCIGALPA

TO USDOC WASHDC

AMEMBASSY KUALA LUMPUR

INFO SECSTATE WASHDC 4600

AMEMBASSY TOKYO

LIMITED OFFICIAL USE TEGUCIGALPA 2238

E. O. 11652: N/ A

TAGS: ETRD EIND HO JA

SUBJ: AGALTECA STEEL PROJECT: GOH APPLIES TO JAPANESE
GOVERNMENT FOR FINANCING

REF: TEGUCIGALPA A-3, JANUARY 3, 1969

1. SUMMARY: GOH HAS FORMALLY APPLIED TO GOJ FOR
FINANCIAL ASSISTANCE IN ESTABLISHING AGALTECA IRON AND
STEEL MILL. COPY OF LATEST FEASIBILITY STUDY DONE BY NIPPON
STEEL BEING POUCHED TO USDOC. END SUMMARY.

2. ESTABLISHMENT OF AN IRON AND STEEL MILL IN HONDURAS
AT AGALTECA (I. E. ALTOS HORNOS DE CENTRO AMERICA, S. A.)
HAS BEEN A PRESTIGE PROJECT PROMOTED BY THE GOH FOR
MANY YEARS. WITH PRICE OF BILLETS PRESENTLY AT HIGH
LEVEL, INTEREST HAS BEEN RENEWED IN THE PROJECT ESPECIALLY
BY THE EIGHT OR NINE ROLLING MILLS IN C. A. WHO CANNOT
NOW IMPORT ENOUGH BILLETS TO MEET DEMAND AND WHO ARE
ATTRACTED BY ESTIMATE THAT A MILL AT AGALTECA COULD
PRODUCE BILLETS AT \$115 PER TON.

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3. IN 1972 CABEI (ONE OF INVESTORS IN PROJECT) INVITED NIPPON STEEL TO DO FEASIBILITY STUDY OF PROJECT AND GIVE ITS RECOMMENDATIONS. RECOMMENDATIONS WERE FAVORABLE ALTHOUGH REPORT STATES THAT FOR A PERIOD OF 5 TO 7 YEARS PROJECT WILL HAVE TO ENDURE A NET LOSS AND SHORTAGE OF FUNDS. EMBASSY HAS ACQUIRED COPY OF STUDY AND WILL FORWARD TO USDOC FOR ATTENTION OF INTERESTED PARTIES (ON A RESTRICTED BASIS).

4. CABEI REPRESENTATIVE HAS INFORMED COMMERCIAL ATTACHE THAT THE GOH MINECON HAS MADE A FORMAL PROPOSAL TO JAPANESE GOVERNMENT FOR FINANCING THE PROJECT THROUGH ITS FOREIGN ASSISTANCE AGENCY. GOH AND CABEI WANT NIPPON STEEL TO BUILD THE PLANT SINCE NIPPON BUILT SAME SIZE AND TYPE PLANT (I. E. FUELED BY CHARCOAL MADE FROM EUCALYPTUS TREES) IN MALAYSIA WHICH, ACCORDING TO CABEI, IS OPERATING MOST SUCCESSFULLY. PROJECT WILL INVOLVE ABOUT \$40 MILLION INVESTMENT. GOH EXPECTS TO HAVE GOJ DECISION SOMETIME THIS YEAR.

5. ACTION REQUESTED: FOR USDOC, PLEASE MAKE NIPPON FEASIBILITY STUDY KNOWN TO U. S. FIRMS WHO MIGHT HAVE INTEREST IN PROJECT. TO STAND CHANCE, U. S. FIRM WOULD HAVE TO PROVIDE OR MAKE ARRANGEMENTS FOR BULK OF FINANCING. FOR KUALA LUMPUR, STEEL PLANT BUILT BY NIPPON IN MALAYSIA CALLED MALAYAWATA STEEL BERHAD (MYS). EMBASSY WOULD BE INTERESTED TO KNOW IF PLANT IS INDEED FUNCTIONING SUCCESSFULLY OR IF OPERATIONAL OR FINANCING PROBLEMS HAVE COME UP ABOUT WHICH HONDURAN INVESTORS IN POSSIBLE SIMILAR PLANT LOCALLY SHOULD BE FOREWARNED.
SANCHEZ

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*** Current Classification *** LIMITED OFFICIAL USE

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